

## **Initiatives and Accomplishments**

Houston is a culturally diverse international city which is focused on the future and committed to enhancing the quality of life for its citizens. Major initiatives implemented by City leaders over the past year will ensure the continued success of Houston in the 21<sup>st</sup> century.

Mayor Lee P. Brown and City Controller Sylvia R. Garcia both took office in January 1998 as the City's top two elected officials.

Mayor Brown's initiatives and accomplishments are a reflection of the five guiding principles that are the foundation of his administration. These are as follows:

- Neighborhood Oriented Government
- Opportunities for Youth
- Transportation and Infrastructure
- Economic Development and International Trade
- Continuous Improvement

City Controller Garcia's initiatives and accomplishments are a reflection of the mission of the City Controller's Office, which is to superintend and supervise the fiscal affairs of the City of Houston and to manage and conduct the same as prescribed by the City Charter and the City Code of Ordinances. The City Controller's Office had several significant accomplishments during fiscal year 2000. Some of these accomplishments and initiatives are as follows:

- The City Controller's Office is partnering with other agencies including the District Attorney, State Attorney General, and the State Comptroller to conduct audits. Audit Division staff has been increased to shift from full outsourcing to a more balanced approach. Also, the Controller's Office has selected and installed software which will aid in highlighting problem areas to assist the functions of the auditors. In addition, the Controller's Office is evaluating an automated audit management system to help plan and manage the audit process.
- Implementation plans are being put in place during this fiscal year 2001 in order to fulfill GASB 34 requirements beginning the June 30, 2002 fiscal year. The Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments requires City of Houston implementation for the reporting period June 30, 2002, which begins on July 1, 2001. This new reporting model introduces the government-wide reporting model and will include for the first time a required management discussion and analysis (MD&A) that gives readers an objective and easily readable analysis of the government's financial performance for the year. Previously data has never aggregated beyond the fund-type level under the current financial reporting model.

- The City Controller's Office has initiated a pilot project with the Aviation Department to increase the imaging capabilities of the City's computer network. The project will allow the Aviation Department to directly retrieve over the network records that otherwise would require the Controller's Office to produce a hardcopy and send it to the requestor. Once implemented across the entire City, it could significantly reduce time to process paperwork as well as the amount of paper used.
- A new investment software system and a new banking system are streamlining processes in the Controller's Office. A new investment accounting system has been put in place to take advantage of these improvements. In addition, the City Controller's Office accomplished its first sale of bonds over the Internet, allowing faster information access and a more efficient bid process. Also, the Investment Division is working to get the investment and debt information on the Controller's web page so that it is more accessible to the public.

## **Throughout the City**

Additional exciting changes are occurring throughout the Houston area. Downtown Houston is alive with major revitalization efforts. Bayou Place, a new 155,000 square-foot retail and entertainment complex including a multi-plex cinema, a concert performance hall, trendy restaurants and other venues, is alive and thriving on evenings and weekends. Bayou Place Phase II, a 40,000+ square-foot expansion, has been completed and is now leasing. In the summer of 1999, construction began on the Hobby Center for the Performing Arts, the future home of Theater Under the Stars and the Humphreys School of Musical Theatre. Scheduled to open in 2002, the \$75 million facility will have two stages with seating capacity for 2,650 and 500 attendees, respectively.

Across the street in City Hall, the Greater Houston Convention and Visitors Bureau opened a new Visitor Center. It features area guides and brochures, video kiosks, a theater, and state of the art touch screen computers to guide visitors through accommodations, dining, and other attractions in the city and surrounding area.

Enron Field, the new home of the Houston Astros baseball team, opened on March 30, 2000. The \$250 million stadium officially seats 40,950 and is expected to attract 2.5 million fans annually. Nearby, a \$155 million, 1,000-room Convention Center Hotel is planned together with an expansion to the George R. Brown Convention Center to nearly double the size. Additionally, the new yet to be named Downtown Arena, new home of the Houston Rockets NBA basketball team, is also to be built nearby the Brown Convention Center, with completion in 2002.

One of the most exciting downtown undertakings is Cotswold 2000, a landscape, streetscape, waterscape and parking expansion project. The project is expected to dramatically improve the aesthetics and the pedestrian character over 90 city blocks, including Market Square. Cotswold 2000 planners anticipate that the completed project will become a focal point for entertainment and commerce, attracting downtown residents, tourists and citizens from all over Houston. It will also serve to improve access to and between other downtown attractions such as Bayou Place and Enron Field.

A new aquatic entertainment and dining complex will be opening in downtown Houston in the future. Landry's Restaurants has received backing from the City to redevelop two city owned downtown landmarks into a unique five acre entertainment and dining complex. Fire Station Number 1 and Central Water Works Plant will be transformed into a public aquarium with 200 species of domestic and international marine life, a 400-seat seafood restaurant, a 6,000 square-foot ballroom, a casual café, a lounge, a plaza with dancing fountains, and many amusements including an aquatic 90-foot Ferris wheel and a gas powered train.

The Museum of Fine Arts, Houston (MFAH) celebrated the opening of the Audrey Jones Beck Building on March 25, 2000. The Beck Building more than doubles the museum's galleries for the display of its permanent collection and special exhibitions, and catapults the museum from the 13<sup>th</sup> to the 6<sup>th</sup> largest art museum in the nation in terms of exhibition space. The expansion will permit the MFAH to exhibit, for the first time, work from the entire encyclopedic collection of world art. The Beck Building houses the museum's collection of European art to 1920 (including the Beck Collection and the Sarah Campbell Blaffer Foundation Collection), American art to 1945, and works on paper. Simultaneously, in the Caroline Wiess Law Building, newly designed installations showcase African gold and the art of sub-Saharan Africa, stunning examples of Asian, Oceanic, Native American and Pre-Columbian art, and masterworks of contemporary art.

The Port of Houston has been and continues to be one of the primary catalysts for the future strength and development of not only Harris County, but all of southeast Texas. The Port is a large and diverse economic entity of private and public terminals, both of which contribute \$7.7 billion annually to the region's economy. Nearly 205,000 jobs depend on cargo moving along the Houston Ship Channel. As the nation's leading port in foreign cargo, the Port of Houston's commercial prominence helps to solidify Houston's status as an international city. The Port's productive growth in container traffic has prompted the Port Authority Commission to plan for the development of a new container terminal in southeast Harris County, the Bayport Terminal Project. The project will provide 28,580 jobs, road improvements, and environmental enhancements, as well as expanding the capacity of the Port for future growth. In the end, the project should have an economic impact of \$633 million.

The Metropolitan Transit Authority of Harris County (METRO), serving 1,281 square miles and operating more than 1,400 buses, set a new ridership record in 1999 by carrying 98 million passengers. METRO operates five HOV lanes, the largest barrier-separated system in the world. METRO is also contributing to the downtown revitalization effort. It has embarked on a Transit Street Project that will add 1,000 trees and new streetlights with special period streetlights in the historic district and will include repaving and resizing streets and widening sidewalks. METRO's new downtown trolleys serve to reduce lunchtime traffic activity. Recently, the METRO Board approved a light rail system for the 7.5 mile Downtown-to-Astrodome Corridor. The \$272 million light rail system -- which will traverse the Downtown employment center, colleges and universities, the Theater District, the Texas Medical Center, Hermann Park and the Zoo, the Museum District and the Astrodome -- will be complete by the year 2004. In addition to METRO's downtown revitalization efforts, its Millennium Mobility Plan also includes more than \$1 billion for street construction throughout the region for the next 10 years, \$1 billion for upgraded bus service, and more than \$144 million in transit access improvements to the reconstructed Katy Freeway.

The aerospace industry continues to be a large influence in the area. NASA/Johnson Space Center (NASA/JSC) and its contractors, including United Space Alliance, Lockheed Martin, and Boeing, continue to contribute in many ways to Houston. Receiving almost one third of NASA's money, the Johnson Space Center contributes approximately \$2 billion to the local area economy. NASA/JSC research and development grants provide \$18.6 million to universities located within Houston. Also, NASA/JSC is constantly developing new technologies which frequently evolve into spin-off products and medical advances such as nanotechnology, plasma propulsion, and a new drug delivery system.

Houston has a growing tourism industry. Space Center, Houston, the official visitor's center for NASA/JSC, continues to be a popular attraction, especially now with the Johnson Space Center's role in oversight of the creation of the international space station. The cruise industry continues to grow in Houston. Currently, both Premier and Norwegian Cruise Lines have cruises departing Houston for the Caribbean, as well as Carnival Cruise Lines with departures from Galveston, and there are possibilities of more cruise lines coming to the general area. With the large and expanding airport system, and easy access to both the Caribbean and Mexico, Houston is a prime location for growth of the travel and tourism industry.

In an effort to prepare for Houston's growth, the Houston Airport System is taking on a massive expansion of Houston airport facilities estimated to cost \$2.1 billion. These improvements to what is already the world's 6<sup>th</sup> largest multi-airport system will be accomplished at no expense to the taxpayer. Both Bush IAH (Intercontinental) and Houston Hobby airports are slated for extensive improvements. Intercontinental is currently building new parking facilities and is preparing to build two new runways, terminal expansions, and other improvements to help prepare Houston for future growth. Hobby will receive runway improvements and upgrades along with a terminal rebuild to benefit travelers and make the airport more efficient. Ellington Field also is marked for runway improvements and cargo hangers.

Home to many professional sports teams, Houston has been a major player in the national and international sports scene for many years. This year was no exception. The four-time world champion Houston Comets continue to dominate the Women's National Basketball Association. The Houston Astros have won the National League's Central Division Championship three of the past four seasons. The City also hosted the Texaco/Havoline Grand Prix through the streets of downtown. This year is the third year of a six-year contract between the City and Championship Auto Racing Teams (CART). Estimated economic impact to the City each year are between \$25 and \$30 million, the equivalent of a major political party national convention. Along with professional sports, Houston will be the home to a future college football bowl game, to be held in the newly named Reliant Astrodome. Beginning this year, on the day after Christmas, the GalleryFurniture.com Bowl will host teams most likely from the Big 12 Conference and Conference USA.

The National Football League (NFL) is back in Houston. The NFL recently awarded Houston a franchise, the Houston Texans. The Texans will begin play in 2002 in the new \$310 million Reliant Stadium under construction next to the Reliant Astrodome. This stadium will be the home of the new team, as well as the Houston Livestock Show and Rodeo. Additionally, Houston will host the 2004 Super Bowl.

Houston also holds on strong to its Texas culture while maintaining its national and international position. Besides being an annual stop for the Professional Bull Riders circuit, the Houston Livestock Show and Rodeo (HLSR) brings together the City of Houston each year in a festival celebrating our regional culture. The Houston Livestock Show and Rodeo not only helps to keep Texas traditions and culture a part of Houston, it gives back to the community. HLSR generates a direct economic impact of over \$70 million, and works hard to support children and education in Houston and Texas. This year, as HLSR continues to grow, it gave almost \$3 million in college scholarships to Houston area youth, along with other scholarships and educational programs for students throughout Texas.

Houston is competing to achieve yet another first as host to the 2012 Olympic Games. The effort is spearheaded by the Houston 2012 Foundation, a non-profit organization created for the purpose of bidding to become the U.S. Candidate City for the Olympic Games of the XXX Olympiad in the year 2012. The Foundation's efforts are aimed at securing public and private sector support and resources to promote elite amateur sporting events, such as the World Amateur Boxing Championship and the Camino Real Equestrian Events. In addition, the Foundation supports and/or participates in various educational and cultural events throughout the greater Houston area.

Communities throughout Houston continue to flourish. In an effort to improve long-neglected areas near downtown, the City is supporting a multi-million dollar redevelopment of an eighty-block section of the Fourth Ward historical area. Redevelopment will include infrastructure improvements and the construction of several hundred new homes. In the Clear Lake area, there is a flurry of commercial construction to compliment an already strong commercial base including Baybrook Mall. Also, two new fire stations and a new park should help improve the atmosphere and protection of citizens.

## **Financial Information**

### **Accounting System and Budgetary Control**

The Mayor serves as the Chief Executive of the City. The City Controller is the second highest elected official within City government and serves as the City's Chief Financial Officer. The legislative body of the City is the City Council which consists of nine district members and five at-large members. The Mayor, City Controller, and Council Members are limited to three two-year elected terms.

The accounting system of the City is organized and operated on the basis of funds and account groups, each of which is in a separate set of self-balancing accounts which comprise each fund's assets, liabilities, fund balance, revenues and expenses. The accounting and financial reporting policies of the City included in this report conform to GAAP and reporting standards as promulgated by GASB, the American Institute of Certified Public Accountants (AICPA) and other appropriate sources. The financial statements of the General, Special Revenue, Debt Service, Capital Projects, and Expendable Trust Funds are prepared on the modified accrual basis of accounting, whereby revenues are recorded when they become both measurable and available to finance expenditures of the current period.

Expenditures are generally recorded when goods or services are received and actual liabilities are incurred and become payable with expendable available financial resources. The financial statements of the Enterprise, Internal Service, and the Fiduciary Pension, Trust and Agency Funds are prepared on the accrual basis of accounting whereby revenues/additions are recorded at the time they are earned and expenses/deductions are recorded when liabilities are incurred. Encumbrance accounting, under which purchase orders, contracts, approved requisitions and other commitments for the expenditure of funds are recorded to reserve that portion of the applicable appropriation. Outstanding encumbrances lapse at year-end. Open encumbrances are then reestablished in the succeeding fiscal year against that fiscal year's appropriations. Encumbrances do not constitute expenditures or liabilities.

The City's management is responsible for establishing and maintaining a system of internal controls designed to provide reasonable, but not absolute, assurance that the assets of the City are protected from loss, theft, or misuse and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the evaluation of costs and benefits requires estimates and judgments by management.

As a part of its internal control structure the City is required to adopt a balanced budget each year. Based upon recommendations by the Mayor, City Council adopts an annual budget for the General Fund, Debt Service Fund, and Special Revenue Funds. Exceptions are the Grant Revenue, Health Special and Housing Special Revenue Funds, for which City Council adopts separate operating or program budgets throughout the year. Also, based upon the Mayor's recommendations, City Council adopts an annual budget for maintenance and operating expenses, excluding depreciation, debt service, and other capital costs of the proprietary funds, except for the Sports Arena, which is managed under a long-term contract. The City Council also appropriates available resources to authorize expenditures pursuant to those budgets. The City does not budget Capital Projects and other expenditures annually. Instead, City Council authorizes these expenditures through individual appropriation ordinances. No City expenditures may be made without a duly adopted ordinance. City Council can legally appropriate only those amounts of money which the City Controller has previously certified are or will be in the City treasury.

Although the legal level of budgetary control is the departmental level within a fund, the City maintains internal budgetary control at the expenditure category (i.e., Personnel Services, Supplies, Other Services and Capital Outlay). Budget control is primarily managed using an automated encumbrance and accounts payable system.

The City is required to undergo an annual Single Audit in conformity with the provisions of the Single Audit Act and the U. S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments," the State of Texas Uniform Grant Management Standards, and the State of Texas Single Audit Circular. These audits are conducted simultaneously with the City's annual financial statement audit. Information related to these Single Audits, including the schedules of financial assistance, findings and recommendations, and auditors' reports on the internal control structure and compliance with applicable laws and regulations is included in separate Single Audit Reports.